

Testimony
Of
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President,
National Cattlemen's Beef Association

To the
House Committee on Agriculture
The Honorable Bob Goodlatte, Chairman

March 1, 2005

Chairman Goodlatte, Ranking Member Peterson, Members of the House Committee on Agriculture:

I am Jim McAdams, President of the National Cattlemen's Beef Association. I am a cattle producer from Texas and am honored to be here today to testify in front of this committee.

Bovine Spongiform Encephalopathy (BSE) has been a priority issue for our nation's cattle producers since the disease was first diagnosed in the United Kingdom in the mid 1980's. Based upon the science that has been developed over the past two decades, our nation has implemented safeguards which protect the health of our cattle and the safety of our consumers. These safeguards include import bans, surveillance programs, feed bans, and the removal of specified risk materials (SRMs) from the food chain.

These safeguards have indeed served their purpose. Over the past 15 years, our country has tested almost 325,000 cattle and not found a single case of BSE in a domestically produced animal. In the past year alone, we have tested nearly 250,000 cattle without a single positive case. These test results illustrate the effectiveness of the science-based procedures our nation has implemented. Consumers understand and appreciate the steps that have been taken. In a recent independent survey conducted by the beef checkoff program, 97 percent of the people surveyed heard about BSE in the media over the past month. Despite the attention, consumer confidence in the safety of beef remains at 93 percent, the highest ever. Beef sales in the marketplace echo this survey, as evidenced by double-digit growth in the demand for beef. With confidence numbers at record highs, it is disturbing that some attempt to undermine the science that forms the basis of our BSE protection system, a system responsible for the strong confidence consumers have in our product.

When the UK first diagnosed BSE in its cattle, not much was known about the disease. In the absence of a scientific understanding of BSE, the world adopted a zero tolerance policy. Trade in any product that could possibly carry BSE was disallowed. Ceasing all trade in products from cattle from countries with BSE became the de facto global standard for trade. Over the intervening years, however, a body of science developed that shed light and knowledge on the disease. The development of this science helped inform Congress, USDA, FDA, other regulatory agencies, our industry and scientific experts around the world, and led to the firewalls that have been erected. This body of science improved the world's understanding of BSE so that rules and regulations on BSE can now evolve.

The Office of International Epizootics (OIE), the world organization for animal health created within the World Trade Organization (WTO), has multiple chapters in its code dealing with BSE. The OIE code has evolved over the years to reflect the growing body of science on BSE. Nonetheless, in 2002 and 2003, NCBA was increasingly concerned that many countries did not recognize the OIE code for trade in beef for countries that represented minimal risk for BSE. Our members' concern was that a single case of BSE could jeopardize our export markets—despite the wide array of safeguards our nation has implemented to keep our nation's systems robust against BSE.

In May of 2003, Canada confirmed its first domestic case of BSE. Immediately, what we feared might happen to U.S. producers happened to Canada, a complete and total loss of all export markets. On behalf of cattle producers in the U.S., NCBA spent much of the latter part of 2003 trying to amend the OIE code on countries that were deemed to be at a minimal risk for BSE to prevent what happened in Canada from happening to us. In December 2003, a cow of Canadian origin was diagnosed with BSE in the U.S. Because of the nature of the OIE

code, and the global BSE policies that existed at the time, our producers were forced under the yoke which others had been forced to bear—a yoke created during a time when fear—not science—drove global BSE policies. Because global BSE policies did not reflect the science, we lost our export markets and U.S. producers have lost \$175 on every animal sold in the U.S. Total cumulative losses to U.S. cattle producers now number \$4.8 billion in lost exports alone.

It is with this historical context in mind that NCBA members adopted in August of 2004, a policy calling for the normalization of global beef trade based upon sound science—so that our exports could resume. We are all in the midst of an historic shifting of global trade policy from one of fear to one of sound science. Transitions like this are not easy, and our members have struggled to develop policy that reflects all of the changes taking place.

This hearing was called to discuss the rule declaring Canada as a minimal risk country. The USDA rule is broadly consistent with our policy of normalizing trade and establishing a fully informed global trading standard based on science. However, the announcement and publication of this rule has been met by strong concerns from our members across the country. USDA's statement that 2 million head of Canadian cattle could enter the U.S. created the impression among U.S. producers that a "wall of cattle" would descend upon U.S. markets. In the days following the announcement of this rule, Canada announced two additional cases of BSE. This convergence of events—the publication of the rule, the USDA statement about 2 million head of cattle, and two new BSE cases in Canada—have proven controversial.

In the days following the announcement of these events, our organization faced many questions from our members. These concerns centered on three key areas: 1) The economic

impact on U.S. producers based upon USDA's estimate of cattle that could enter the U.S.; 2) The importance of regaining our export markets prior to the border reopening to prevent a situation of more imports without having access to our traditional export markets; and 3) Concerns about Canadian compliance with its BSE prevention activities in light of the two new BSE cases.

To address these concerns, our Executive Committee put in place a number of action steps. Perhaps the most significant was the creation of a team of NCBA members that went to Canada to see Canada's BSE prevention activities first hand. The Trade Team report is attached to this testimony in its entirety. In summary, our trade team concluded:

- USDA's estimate of 2 million head of cattle that could enter the U.S. was overstated because USDA did not include the fact that Canadian processing has increased 22% since 2003. Instead, based upon first hand inspections and reviews of more current data, the number of cattle that could possibly enter the U.S. is closer to 900,000 head, about half of what USDA estimated.
- The trade team was comfortable with what they saw relative to compliance with Canada's feed ban.
- Canada must move forward with removing Blue Tongue and Anaplasmosis restrictions on the movement of all U.S. cattle into Canada. These restrictions are not necessary; and
- Significant structural changes have occurred in Canada's processing sector which, in the long-term, could shift beef production into Canada at the expense of the U.S.

Our membership met during our annual convention in San Antonio, Texas, during the first week of February and had extensive discussions about the USDA rule. The trade team report figured heavily in that debate. During the meeting, our membership adopted a directive

on the issue that delineated certain criteria that must be met before the implementation of the rule. These include:

1. Prohibit the importation of cattle and beef products from cattle more than 30 months of age,
2. Assurance that all Canadian firewalls to prevent BSE, specifically adherence to its feed ban, are functioning properly,
3. No feeder cattle may be imported until agreement is reached on harmonization of animal health standards, especially bluetongue and anaplasmosis,
4. Movement of Canadian cattle into the U.S. must be managed to minimize market disruptions,
5. Fed cattle imported for immediate slaughter must be certified to be less than 30 months of age at the time of importation,
6. Ban the use of fetal bovine serum from heifers imported for immediate slaughter,
7. USDA grades and stamps are not allowed on any imported beef product,
8. Feeder cattle must be branded with a “CAN”, individually identified with an ear tag, certified to be less than 30 months of age at time of slaughter, shipped in sealed trucks from the border directly to an approved feedlot and moved directly in sealed trucks to slaughter,
9. Feeder heifers imported into the U.S. from Canada must be spayed,
10. USDA must work with our primary trading partners to ensure that expanded export access for U.S. beef is not in any way jeopardized by expanded importation of cattle and beef from Canada, and

11. The Administration must reach an agreement to re-establish beef and beef by-product trade with Japan, Korea, and Mexico and apply economic sanctions if necessary.

Significant progress has been made on most of these items. USDA has already made the decision to delay the implementation of the part of the rule dealing with meat from cattle over 30 months of age. We are appreciative of the swift action taken by USDA Secretary Mike Johanns to delay this portion of the rule. We are expecting reports in the next two weeks from USDA on Canada's compliance with its feed regulations and SRM removal regulations. The Canadian Food Inspection Agency (CFIA) has resolved the Anaplasmosis and Blue Tongue issue with feeder cattle and we expect CFIA to modify its current regulations on these diseases for cattle of all ages as trade is resumed. Our directive specifically requests that cattle be permanently identified and processed before 30 months of age. These items are specifically contained in USDA's rule. We are discussing with USDA and FDA the portion of the directive dealing with fetal blood serum and the spaying of heifers.

Our negotiators have assured us that this rule will not negatively impact our ability to regain key export markets such as Japan. We are appreciative of the aggressive action taken by the Administration and by many Members of Congress to help our industry regain access to the Japanese market. However, we continue to be disappointed with Japan's inability to set a date when trade will resume. Our industry needs continued strong action at all levels of our government—from the President, to cabinet members, to diplomatic personnel, to Members of Congress—to apply the pressure needed to reopen this vital market. To apply the most pressure necessary, the Administration and Congress should consider all options including economic sanctions.

The BSE policies of our country are based upon science and the OIE guidelines, as they should be. We support our government's decision to follow the facts and the science but we expect our government to ensure that we are not treated unfairly in the international marketplace. If our trading partners do not follow the science, do not negotiate in good faith, and do not follow the rules, then we expect our government to defend us to the fullest and take the necessary steps to maintain fair trade.

The members of this committee should know several key facts about BSE. Prevailing science holds that BSE is not found in muscle meat of cattle. All meat is safe from BSE. The OIE code is a list of guidelines not requirements. Each country maintains the sovereign right to implement the guidelines in a manner that they deem necessary. NCBA points this out because over the past several weeks, irresponsible comments have been made about the safety of beef. NCBA maintains a fact-based approach in dealing with BSE. We recognize that our members have economic concerns about this rule and we are working expeditiously to lessen the impact and provide more economic opportunities by reopening export markets. We believe these challenges are best solved by negotiating solutions based on the facts. Undermining the science upon which our consumer confidence is based and questioning the safety of our product, is a disservice to hard working cattle producers and misleading to consumers and could ultimately do irreparable harm to our livelihood. For this reason, my written testimony includes a list of quotes from leading scientists who reinforce the points I have made today regarding BSE, beef safety and trade policy.

Thank you for the opportunity to appear before you today, and I look forward to your questions.

APPENDIX

1. Consumer Confidence Chart
2. NCBA's Trade Team Report
3. Letter to Dr. Gary Weber from David Wilson, Head, International Trade
Department, Office of International Epizootics
4. Declaration of David Wilson, Head, International Trade Department, Office of
International Epizootics
5. Statement of Scientific Experts
6. Article about new investment in Canadian processing plants
7. Chart detailing effectiveness of the feed ban
8. NCBA's Policy Directive